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Corporate social responsibility as a legitimacy maintenance strategy in the professional accountancy firm

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A R T I C L E I N F O

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A B S T R A C T

This paper investigates how accountancy firms use corporate social responsibility (CSR) as a device to maintain legitimacy with key constituents. It explores who these constituents (audiences) are for their CSR actions and the strategies they use to maintain legitimacy with these audiences. Interview-based evidence from 18 large accountancy firms in the United Kingdom (UK) identifies the main CSR constituents as: clients and potential clients of the firm; graduates as potential entrants to the industry; internal audiences represented by the firms' staff and partners; and other external audiences constructed as members of those local communities in which the firm operate. In the largest firms, maintaining pragmatic legitimacy with some client, graduate and internal audiences is frequently dependent on the development of moral legitimacy established with other external constituents (communities). Consequently, the typologies of legitimacy developed are largely pragmatic, the most ephemeral and most easily attained form, rather than something that is enduring, embedded and taken-for-granted.

1. Introduction

> PwC is founded on a culture of partnership with a strong commercial focus. This is reflected in our vision: “One firm - a powerhouse of a commercial enterprise that does the right thing for our clients, our people and our communities.”
> (PwC, 2011)

This paper aims to advance our theoretical and empirical understanding of how practitioners in accountancy firms use corporate social responsibility (CSR) activities to support the legitimacy maintenance strategies (LMS) of their organisations. This aim is achieved by undertaking semi-structured interviews with key organisational actors responsible for CSR within each of the Big Four and a further 14 mid-tier accountancy practices in the UK. Twenty-three interviews in total were undertaken with these 18 firms. The theoretical lens used to evaluate firms' actions is Suchman's (1995) tri-level theory of legitimacy and conceptualisation of the process of the maintenance of legitimacy.

CSR scholars have suggested that business enterprises face increasing demands from internal and external sources to demonstrate varying degrees of social responsibility (Aguilera Rupp, Williams, & Ganapathi, 2007; Basu & Palazzo, 2008; Carroll & Shabana, 2010; Castello & Lozano, 2009, 2011; den Hond & de Bakker, 2007; Matten & Moon, 2007). Accountancy firms provide a novel and under-explored site for CSR research and complements Duff's (2016) recent analysis of UK

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accountancy firm's corporate social disclosures. In particular, Duff (2016 p. 75) identifies that ‘the reporting of CSR activity is a precursor of signalling legitimacy, status and reputation (prestige) within the accountancy industry’ and that corporate social disclosure ‘assists the process of attracting large numbers of high quality graduates’. It is argued that the CSR activities undertaken by professional accountancy firms are motivated by a need to maintain legitimacy in particular with three audiences: clients; existing employees/partners; and ‘talent’, in the form of graduates and school-leavers seeking professional employment and training opportunities. A fourth audience, ‘communities’, as beneficiaries of the firms' CSR initiatives are used to develop a more resilient form of legitimacy that supports the legitimacy developed with the other three audiences.

This paper offers a contribution in three ways. First, it makes a theoretical contribution by the extension of a sophisticated development of legitimacy to explain the use of CSR by the accountancy industry in mediating relations with key constituents. Specifically, legitimacy theory is used to interpret the advent of CSR practice within the accountancy industry and efforts to maintain its legitimacy. In general, prior work documenting CSR and accounting has tended to adopt a bi-polar (legitimate/illegitimate) approach (e.g. Adams, Hill, & Roberts, 1998; Archel, Husillos, Larrinaga, & Spence, 2009; Branco & Rodrigues, 2008; Milne & Patten, 2002; Momin & Parker, 2013; van Staden & Hooks, 2007), rather than considering different levels, forms and temporal textures that occur in the organisational studies domain. In particular, the research evaluates legitimacy through the tri-level lens of pragmatic, moral and cognitive legitimacy conceptualised by Suchman (1995) and associated strategies for legitimacy maintenance. The two accounting-related studies that adopt a tri-level legitimacy framework (Georgiou & Jack, 2011; O'Dwyer, Owen, & Unerman, 2011) focus on strategies for *securing* legitimacy rather than its *maintenance* as is this investigation. The more sophisticated theoretical development of legitimacy allows the revelation of the different levels of legitimacy sought and the concomitant strategies used to achieve them in relation to specific audiences (constituencies). Notably, the investigation identifies the problems of achieving the full spectrum of the different levels of legitimacy and the dominance of the least durable and most easily attained pragmatic legitimacy at the expense of more robust but harder-to-attain levels of moral and cognitive legitimacies. An ancillary external audience of ‘communities’ representing beneficiaries of the firms' largesse is used to develop moral legitimacy. Furthermore, accountancy firms are by their very nature legitimacy agents, conferring legitimacy via public audits of organisations where qualification renders the client's financial statements by virtue of qualification.

Second, the paper offers an empirical contribution by engaging in face-to-face interviews with key organisational actors within the accountancy industry with specific responsibility for CSR. Prior work has examined the CSR communications of the accountancy industry via content analysis (Duff, 2016). However, the nature of public and vocal claims reported in such materials provide clues to two forms of legitimacy (pragmatic and moral), whereas the unspoken nature of cognitive legitimacy means taken-for-granted assumptions will be excluded from such analysis. Furthermore, it offers an insight from each of the four largest accountancy firms (Big Four) and 14 of the largest mid-tier firms. The study represents a comprehensive overview of CSR practice within the UK accountancy industry. Big Four firms typically employ small departments to manage CSR, the largest mid-tier firms may have just one individual employed at manager level to oversee CSR. CSR in most mid-tier firms is part of an individual's portfolio of work which usually includes clients. The intersection of CSR and suppliers of accountancy services is significant as auditing and assurance work, undertaken in the public interest, has been a core service line for the industry for over a century. How firms manipulate and maintain legitimacy with the very publics (audiences) they purport to serve is a topic worthy of investigation.

Third, the findings refine and query elements of professional service firm research that place clients at the apex of key stakeholders. Undoubtedly, clients are conceived as important, but CSR plays as much to the internal audiences of graduates, as potential entrants to the firm and the firms' own internal employees as significant stakeholders. Indeed, CSR was not seen as important to some client groups, particularly private-sector small and medium-sized enterprises, but of greater consequence to charities and public service-sector organisations. In particular, despite the longstanding efforts of some of the firms, short-term pragmatic LMSs prevailed, rather than attempting the critical engagement with public interest issues where the industry has been criticised, such as encouraging tax avoidance or the limited nature of assurance offered. The interviews also highlighted the absence of regulators as a constituent, usually a key pillar of institutional change (Scott, 1995).

This paper proceeds as follows. Section two (S2) provides an overview of CSR, professional accountancy and its UK operating context. S3 outlines Suchman's (1995) model of legitimacy which forms the theoretical model for the analysis. and reviews extant empirical evidence. The design, conduct and analysis of the semi-structured interviews that constitute the research method are considered in S4. S5 reports the findings. The final section S6 concludes.

2. CSR, professional accountancy and its UK operating context

For the purposes of this paper, CSR is defined by the five dimensions identified by Dahlsrud's (2008) widely-cited content analytic study. These five ‘defining’ dimensions are: environmental; social; economic; stakeholder; and voluntariness. These five categories are also supported in a recent content analysis of UK accountancy firms' annual reviews (Duff, 2016).

The paper draws on O'Dwyer's (2003) distinction between two CSR discourses: a *normative* approach where CSR is integrated throughout the firm's operations and undertaken for the common good of society; another a *business case* for CSR where it becomes a means of managing constituents for the benefit of the firm's managers and owners. The business case for CSR has been the focus of much prior academic work in CSR. In particular, significant scholarly effort has attempted to establish the link between CSR and organizational profitability.

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